

**CITY OF CHARLES CITY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2021**

**T. P. ANDERSON & COMPANY, P.C.**  
**Certified Public Accountants**

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City of Charles City, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Andrews	Mayor	December 2021
Jerry Joerger	Mayor Pro Tem	December 2021
Delaine Freeseaman	Council Member	December 2021
Phoebe Pittman	Council Member	December 2023
Phillip Knighten	Council Member	December 2023
Keith Starr	Council Member	December 2023
Steven Diers	City Administrator	Indefinite
Trudy O'Donnell	City Clerk	Indefinite
Brad Slotter	Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Charles City, as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended, in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2020. Other auditors previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedules of the City's Proportionate Share of the Net Pension Liability, and the Schedules of City Contributions on pages 4 through 10 and 38 through 45, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*T.P. Anderson & Company, P.C.*

December 16, 2021  
Humboldt, Iowa

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Charles City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2021 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 2.0%, or approximately \$247,000, from fiscal year 2020 to fiscal year 2021. Property tax increased approximately \$742,000 and bond proceeds decreased approximately \$1,835,000.
- Disbursements in the City's governmental activities decreased 5.8%, or approximately \$872,000, in fiscal 2021 from fiscal 2020. The major cause for the decrease was due to purchase of 75 acres of land in the prior year for an industrial business park known as Avenue of the Saints Development Park.
- The City's total cash basis net position increased approximately \$3,028,000 from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities decreased approximately \$932,000 and the cash basis net position of the business-type activities increased approximately \$3,960,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-Type Activities include the water and sewer funds. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) Special Revenue Funds, such as Employee Benefits, Local Option Sales Tax, and Public Housing, 3) the Debt Service Fund, 4) Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains fourteen Enterprise Funds to provide separate information for the Water, Sewer, Waste Collection, Transit Service, Storm Water, and Fire Extinguisher Funds. The Water and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follows the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$8.5 million to approximately \$7.6 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

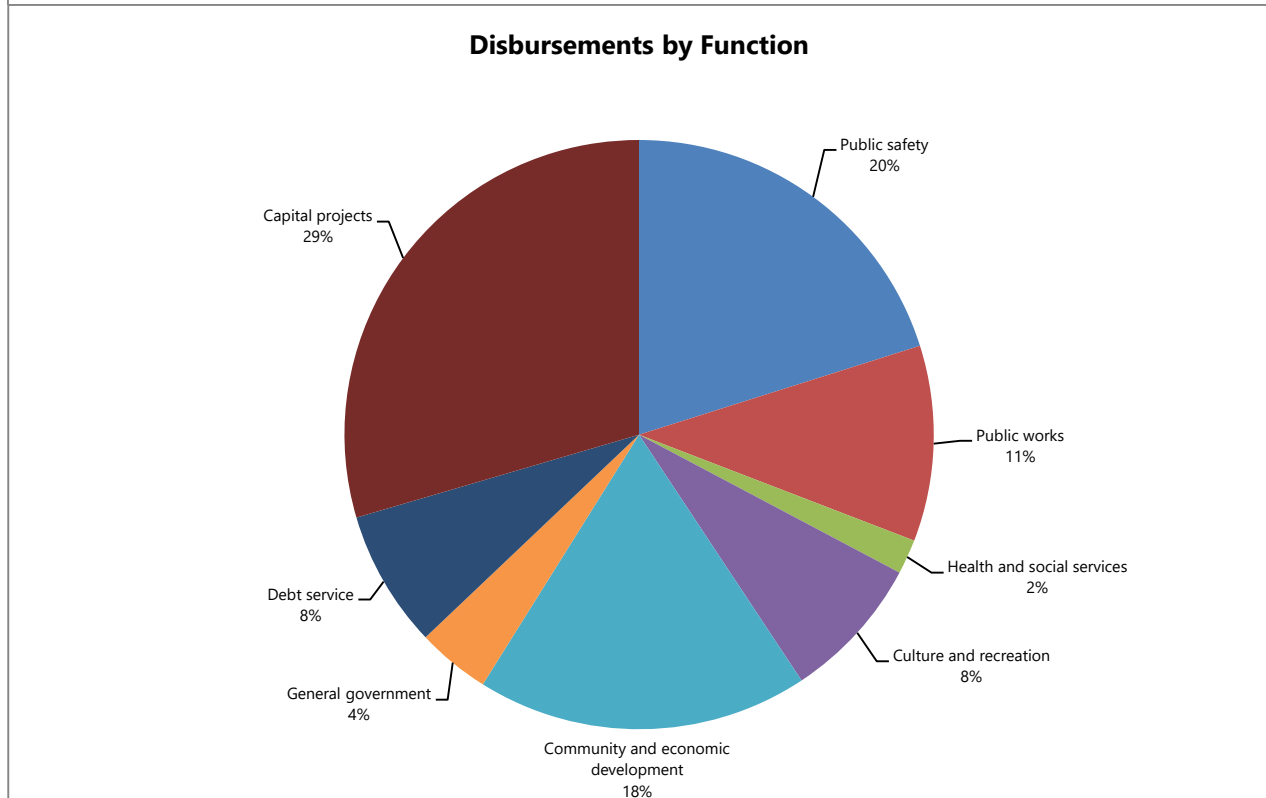
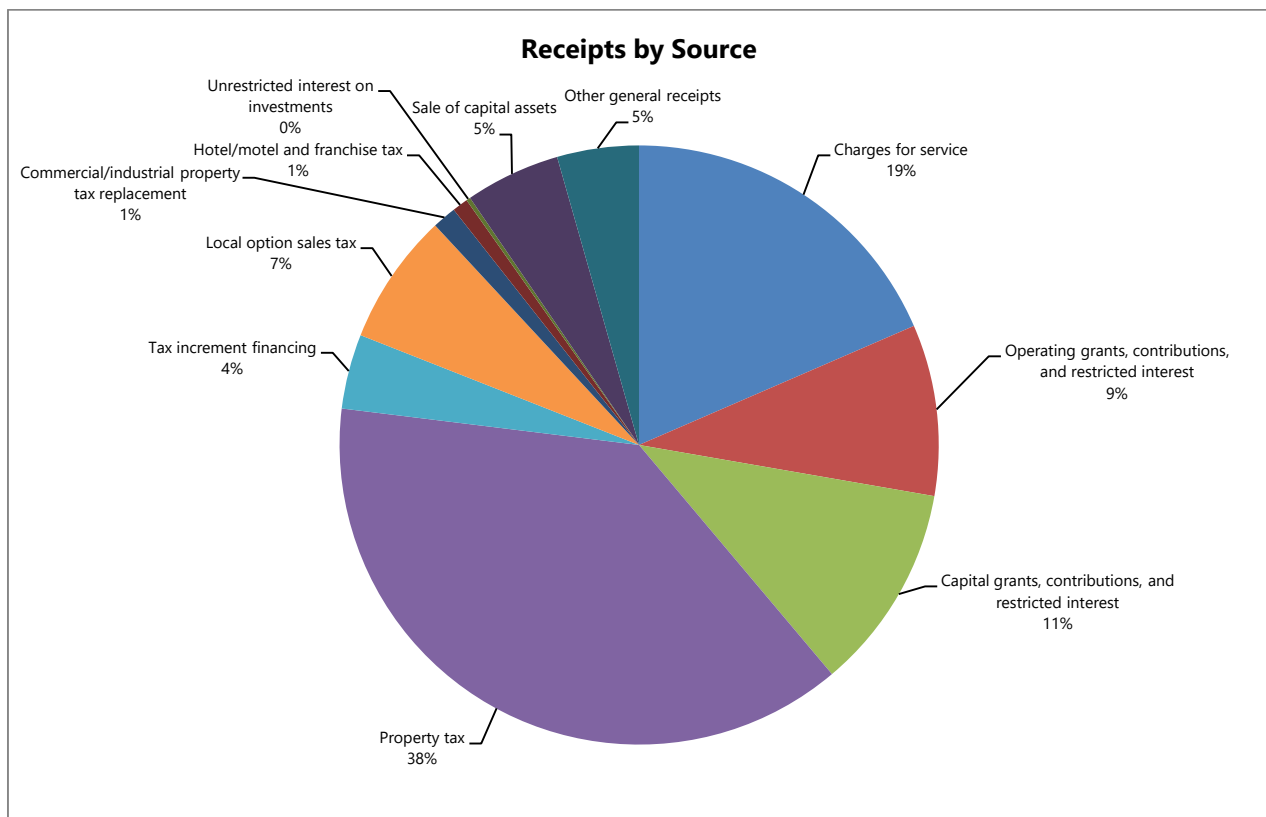
Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service	\$ 2,168	1,867
Operating grants, contributions, and restricted interest	2,083	1,926
Capital grants, contributions, and restricted interest	1,305	219
General receipts:		
Property tax	4,465	3,825
Tax increment financing	473	225
Local option sales tax	833	884
Commercial/industrial property tax replacement	152	150
Hotel/motel tax	99	135
Unrestricted interest on investments	26	184
Loan proceeds	602	2,405
Other general receipts	518	657
Total receipts	12,724	12,477
Disbursements:		
Public safety	2,813	2,806
Public works	1,502	1,746
Health and social services	266	344
Culture and recreation	1,112	1,224
Community and economic development	2,543	4,563
General government	561	561
Debt service	1,055	815
Capital projects	4,130	2,795
Total disbursements	13,982	14,854
Change in cash basis net position before transfers	(1,258)	(2,377)
Transfers, net	326	189
Change in cash basis net position	(932)	(2,188)
Cash basis net position, beginning of year	8,544	10,732
Cash basis net position, end of year	\$ 7,612	8,544

The City's total receipts for governmental activities increased 2.0%, or approximately \$247,000 over the prior year. The total cost of all programs and services decreased approximately \$872,000, or 5.8%, with no new programs added this year. The significant increase in receipts was primarily the results of proceeds received from property taxes. The significant decrease in disbursements was primarily the result of 75 acres of land being purchased in the prior year for an industrial business park known as Avenue of the Saints Development Park.

The cost of all governmental activities this year was approximately \$14.0 million compared to approximately \$14.9 million last year. However, as shown in the Statement of Activities and Net Position on pages 11 and 12, the amount taxpayers ultimately financed for these activities was approximately \$8.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$2.1 million) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (approximately \$3.4 million). The City paid for the remaining "public benefit" portion of governmental



activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax, and miscellaneous receipts.



Changes in Cash Basis Net Position of Business-Type Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,378	2,227
Sewer	1,803	1,908
Other	926	922
General receipts:		
Unrestricted interest on investments	19	67
Loan proceeds	15,170	-
Other general receipts	38	50
Total receipts	20,334	5,174
Disbursements:		
Water	2,423	2,078
Sewer	12,747	4,811
Other	878	920
Total disbursements	16,048	7,809
Change in cash basis net position before transfers	4,286	(2,635)
Transfers, net	(326)	(189)
Change in cash basis net position	3,960	(2,824)
Cash basis net position, beginning of year	1,462	4,286
Cash basis net position, end of year	\$ 5,422	1,462

Total business-type activities receipts for the fiscal year were approximately \$20.3 million compared to approximately \$5.2 million last year. The significant increase was due primarily to the receipt of \$3.0 million sewer improvement bond proceeds and a \$11.9 million sewer revenue bond proceeds. The significant increase in disbursements was due to the construction of a Waste Water Treatment Plant in the Sewer Fund.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Charles City completed the year, its governmental funds reported a combined fund balance of \$7,464,556, a decrease of \$906,760 from last year's total of \$8,371,316. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$171,879 from the prior year to \$2,462,349. The increase was primarily a result of property tax proceeds.
- The Special Revenue, Employee Benefits Fund cash balance increased \$128,790 from the prior year to \$807,526. The increase was the result of planned operations of the fund.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$1,017,125 from the prior year to \$1,496,741. The decrease was the result of operating transfers out of the fund for projects funded in accordance with the appropriate ordinance.
- The Special Revenue, Public Housing cash balance increased \$71,274 from the prior year to \$2,262,583. The increase was due to planned operation of the fund.

- The Debt Service Fund cash balance decreased \$11,058 from the prior year to \$111,798. The decrease was a result of planned operations of the fund.
- The Capital Projects, Street Improvements cash balance increased \$828,367. This capital projects fund was set up to track the ongoing street improvement project for the City. The capital expenditures out of this fund were approximately \$2.0 million during the year. The City finished the capital project during the year and transferred \$2.1 million dollars into the fund to close it out.

## INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

As the City of Charles City completed the year, its business-type funds reported a combined fund balance of \$5,393,427, an increase of \$3,967,709 from last year's total of \$1,425,718. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Water Fund cash balance decreased \$184,551 from the prior year to \$1,828,049. The decrease was primarily the result of planned operations of the fund.
- The Sewer Fund cash balance increased \$3,975,425 from the prior year to \$2,803,093. The increase was primarily the result of capital expenditures made during the year for the waste water expansion project.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved May 17, 2021 and resulted in increases to various categories of receipts and disbursements due to the timing of capital projects. The most significant increases were to other financing sources for the City receiving additional funding during the year. The most significant increase were to disbursements for capital projects and business-type activities to provide additional disbursement for projects that funding was received during the year.

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

## DEBT ADMINISTRATION

At June 30, 2021, the City had \$27,839,000 of long-term debt outstanding, compared to \$14,224,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2021	2020
General obligation bonds	\$ 4,242	1,696
General obligation notes	1,507	1,384
Revenue bonds	22,090	11,144
Lease purchase agreement	-	116
Total	\$ 27,839	14,340

Debt increased as a result of issuing general obligation bonds for the planning, designing and constructing improvements and extensions to the Municipal Sanitary Sewer System.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,749,000 is below its constitutional debt limit of approximately \$21 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Charles City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 4.1 versus 8.0% a year ago. This compares with the State's unemployment rate of 3.9% and the national rate of 5.8%. The unemployment rate decrease was due to the economy stabilizing and having a vaccine for COVID-19.

These indicators were taken into account when adopting the budget for fiscal year 2022. Amounts available for appropriation in the operating budget are approximately \$26.2 million, a decrease of 8.5% over the final fiscal year 2021 budget. The decrease is mostly due to the City budgeting less for other financing sources to fund the various ongoing projects in the next fiscal year. Budgeted disbursements decreased approximately \$4.7 million, or 17.6% over the prior fiscal year. The decrease is due to decreases in capital and business-type expenditures relating to the construction of several projects being completed in the prior fiscal year. The City has added no major new programs or initiatives to the fiscal year 2022 budget.

If the estimates are realized, the City's cash balance is expected to decrease approximately \$932,000 by the close of fiscal year 2021.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Charles City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Trudy O'Donnell, City Clerk/Finance Officer, 105 Milwaukee Mall, Charles City, IA 50616.

## **Basic Financial Statements**

City of Charles City, Iowa  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2021

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 2,813,001	71,673	323,573	-
Public works	1,502,178	-	1,216,586	-
Health and social services	265,571	-	336,786	-
Culture and recreation	1,112,278	257,441	32,024	-
Community and economic development	2,543,082	1,838,668	-	7,000
General government	560,794	-	174,115	-
Debt service	1,054,950	-	-	-
Capital projects	4,129,691	-	-	1,297,950
Total governmental activities	13,981,545	2,167,782	2,083,084	1,304,950
Business-type activities:				
Water	2,422,518	2,378,363	-	-
Sewer	12,746,846	1,802,661	-	-
Other business-type activities	878,486	925,971	-	-
Total business-type activities	16,047,850	5,106,995	-	-
Total functions/programs	\$ 30,029,395	7,274,777	2,083,084	1,304,950

**General Receipts and Transfers:**

Property and other city tax levied for:

- General purposes
- Debt service
- Tax increment financing
- Local option sales tax
- Commercial/industrial property tax replacement
- Hotel/motel and franchise tax
- Unrestricted interest on investments
- Loan proceeds
- Miscellaneous
- Transfers
- Total general receipts and transfers

Change in cash basis net position

Cash basis net position, beginning of year

Cash basis net position, end of year

**Cash Basis Net Position**

Restricted:

- Nonexpendable:
  - Library trust
- Expendable:
  - Employee benefits
  - Local option sales tax
  - Public housing
  - Debt service
  - Other purposes

Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-Type Activities	Total
(2,417,755)	-	(2,417,755)
(285,592)	-	(285,592)
71,215	-	71,215
(822,813)	-	(822,813)
(697,414)	-	(697,414)
(386,679)	-	(386,679)
(1,054,950)	-	(1,054,950)
(2,831,741)	-	(2,831,741)
(8,425,729)	-	(8,425,729)
-	(44,155)	(44,155)
-	(10,944,185)	(10,944,185)
-	47,485	47,485
-	(10,940,855)	(10,940,855)
(8,425,729)	(10,940,855)	(19,366,584)
4,058,746	-	4,058,746
405,952	-	405,952
473,346	-	473,346
833,015	-	833,015
151,807	-	151,807
99,260	-	99,260
25,840	19,169	45,009
602,001	15,169,825	15,771,826
517,816	38,277	556,093
326,480	(326,480)	-
7,494,263	14,900,791	22,395,054
(931,466)	3,959,936	3,028,470
8,543,372	1,462,595	10,005,967
\$ 7,611,906	5,422,531	13,034,437
\$ 91,900	-	91,900
807,526	-	807,526
1,496,741	-	1,496,741
2,262,583	-	2,262,583
111,798	89,809	201,607
1,492,666	50,067	1,542,733
1,348,692	5,282,655	6,631,347
\$ 7,611,906	5,422,531	13,034,437

City of Charles City, Iowa  
Statement of Cash Receipts, Disbursements,  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2021

		Special Revenue	
	General	Employee Benefits	Local Option Sales Tax
Receipts:			
Property tax	\$ 2,680,462	1,254,191	-
Tax increment financing	-	-	-
Other city tax	264,360	84,660	833,015
Licenses and permits	113,664	-	-
Use of money and property	34,347	-	13,776
Intergovernmental	536,712	-	-
Charges for service	270,085	-	-
Miscellaneous	299,990	-	-
Total receipts	4,199,620	1,338,851	846,791
Disbursements:			
Operating:			
Public safety	2,056,431	743,241	-
Public works	294,144	246,616	-
Health and social services	1,500	-	-
Culture and recreation	904,564	136,889	-
Community and economic development	358,469	-	-
General government	475,618	83,315	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	4,090,726	1,210,061	-
Excess (deficiency) of receipts over (under) disbursements	108,894	128,790	846,791
Other financing sources (uses):			
Loan proceeds	309,000	-	-
Transfers in	459,748	-	-
Transfers out	(705,763)	-	(1,863,916)
Net other financing sources (uses)	62,985	-	(1,863,916)
Change in cash balances	171,879	128,790	(1,017,125)
Cash balances, beginning of year	2,290,470	678,736	2,513,866
Cash balances, end of year	\$ 2,462,349	807,526	1,496,741
<b>Cash Basis Fund Balances</b>			
Nonspendable	\$ -	-	-
Restricted for:			
Employee benefits	-	807,526	-
Local option sales tax	-	-	1,496,741
Public housing	-	-	-
Debt service	-	-	-
Other purposes	177,538	-	-
Assigned	144,001	-	-
Committed	80,593	-	-
Unassigned	2,060,217	-	-
Total cash basis fund balances	\$ 2,462,349	807,526	1,496,741

See notes to financial statements.



Special Revenue		Capital Projects		Total
Public Housing	Debt Service	Street Improvements	Nonmajor	
-	405,952	-	-	4,340,605
-	-	-	473,346	473,346
-	26,140	-	-	1,208,175
-	-	-	-	113,664
10,776	-	-	10,992	69,891
-	-	794,735	2,056,587	3,388,034
825,002	-	-	1,072,695	2,167,782
-	-	-	59,387	359,377
835,778	432,092	794,735	3,673,007	12,120,874
-	-	-	173	2,799,845
-	-	-	957,536	1,498,296
-	-	-	263,385	264,885
-	-	-	67,085	1,108,538
758,992	-	-	1,423,516	2,540,977
-	-	-	-	558,933
-	1,054,950	-	-	1,054,950
-	-	2,019,050	2,110,641	4,129,691
758,992	1,054,950	2,019,050	4,822,336	13,956,115
76,786	(622,858)	(1,224,315)	(1,149,329)	(1,835,241)
-	-	-	293,001	602,001
15,534	611,800	2,052,682	372,645	3,512,409
(21,046)	-	-	(595,204)	(3,185,929)
(5,512)	611,800	2,052,682	70,442	928,481
71,274	(11,058)	828,367	(1,078,887)	(906,760)
2,191,309	122,856	(828,367)	1,402,446	8,371,316
2,262,583	111,798	-	323,559	7,464,556
-	-	-	91,900	91,900
-	-	-	-	807,526
-	-	-	-	1,496,741
2,262,583	-	-	-	2,262,583
-	111,798	-	-	111,798
-	-	-	1,315,128	1,492,666
-	-	-	-	144,001
-	-	-	-	80,593
-	-	-	(1,083,469)	976,748
2,262,583	111,798	-	323,559	7,464,556

## City of Charles City, Iowa

Reconciliation of the Statement of Cash Receipts, Disbursements,  
and Changes in Cash Balances to the Cash Basis Statement  
of Activities and Net Position – Governmental Funds

As of and for the year ended June 30, 2021

**Total governmental funds cash balances (page 14)** \$ 7,464,556

***Amounts reported for governmental activities in the Cash Basis Statement of  
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of self-funding the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

147,350

**Cash basis net position of governmental activities (page 12)** 7,611,906

**Change in cash balances (page 14)** (906,760)

***Amounts reported for governmental activities in the Cash Basis Statement of  
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of self-funding the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(24,706)

**Change in cash basis net position of governmental activities (page 12)** \$ (931,466)

See notes to financial statements.

City of Charles City, Iowa  
Statement of Cash Receipts, Disbursements,  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise				Internal Service Employee Health
	Water	Sewer	Nonmajor	Total	
Operating receipts:					
Charges for service	\$ 2,378,363	1,802,661	925,971	5,106,995	\$ 1,217,538
Miscellaneous	28,929	4,070	5,278	38,277	53,100
Total operating receipts	2,407,292	1,806,731	931,249	5,145,272	1,270,638
Operating disbursements:					
Business-type activities	1,541,773	1,256,561	876,254	3,674,588	1,304,069
Excess (deficiency) of operating receipts over (under) operating disbursements	865,519	550,170	54,995	1,470,684	(33,431)
Non-operating receipts (disbursements):					
Interest on investments	10,442	6,616	1,883	18,941	952
Debt service	(744,960)	(326,942)	-	(1,071,902)	-
Capital projects	(133,127)	(11,160,232)	-	(11,293,359)	-
Contractor settlement	-	260,323	-	260,323	-
Net non-operating receipts (disbursements)	(867,645)	(11,220,235)	1,883	(12,085,997)	952
Excess (deficiency) of receipts over (under) disbursements	(2,126)	(10,670,065)	56,878	(10,615,313)	(32,479)
Loan proceeds	-	14,909,502	-	14,909,502	-
Transfers in	40,188	54,795	119,957	214,940	-
Transfers out	(222,613)	(318,807)	-	(541,420)	-
Net transfers in (out)	(182,425)	14,645,490	119,957	14,583,022	-
Change in cash balances	(184,551)	3,975,425	176,835	3,967,709	(32,479)
Cash balances, beginning of year	2,012,600	(1,172,332)	585,450	1,425,718	208,934
Cash balances, end of year	\$ 1,828,049	2,803,093	762,285	5,393,427	176,455
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 65,210	24,599	-	89,809	\$ -
Other purposes	50,067	-	-	50,067	-
Unrestricted	1,712,772	2,778,494	762,285	5,253,551	176,455
Total cash basis fund balances	\$ 1,828,049	2,803,093	762,285	5,393,427	\$ 176,455

See notes to financial statements.

## City of Charles City, Iowa

Reconciliation of the Statement of Cash Receipts, Disbursements,  
and Changes in Cash Balances to the Cash Basis Statement  
of Activities and Net Position – Proprietary Funds

As of and for the year ended June 30, 2021

**Total enterprise funds cash balances (page 16)** \$ 5,393,427

***Amounts reported for business-type activities in the Cash Basis Statement of  
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of self-funding the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

36,877

**Cash basis net position of business-type activities (page 12)** \$ 5,422,531

**Change in cash balances (page 16)** \$ 3,967,709

***Amounts reported for business-type activities in the Cash Basis Statement of  
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of self-funding the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(7,773)

**Change in cash basis net position of business-type activities (page 12)** \$ 3,959,936

See notes to financial statements.

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

**(1) Summary of Significant Accounting Policies**

The City of Charles is a political subdivision of the State of Iowa located in Floyd County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and other utility services to its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Charles has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Floyd County Assessor's Conference Board, Floyd County Emergency Management Commission, Floyd-Mitchell-Chickasaw County Solid Waste Management Agency, and Floyd County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statement** – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for the property tax collections for employee benefits and the payment of those benefits.

The Local Option Sales Tax Fund is used to account for the local option sales tax allocation from the State of Iowa to be used for street and roadway improvements.

The Public Housing Fund is used to account for the grant proceeds and activities of the Public and Indian Housing program.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund, Street Improvements, is used to account for all resources received and used in the acquisition and construction of street improvements.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for operation and maintenance of the City's water system.

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

The Enterprise, Sewer Fund accounts for operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, state or federal laws, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

F. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

The Charles City Telecommunications Utility was recently formed by the City of Charles City to oversee the creation and operation of a fiber-to-the-premise broadband utility. The intent is to provide fast and reliable internet, voice and video products to the citizens of Charles City. The City has incurred costs of approximately \$1.5 million that will be reimbursed by the Telecommunications Utility once bonding has been received as expected in the next fiscal year.

The City has been in the process of building a new Water Resource Recovery Facility with estimated costs of approximately \$18 million. The City has spent approximately \$16 million to-date with the remaining costs and completion of the project to be completed in the next fiscal year.

**(2) Cash and Investments**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City had no investments at June 30, 2021.



CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**(3) Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Urban Renewal Tax Increment	\$ 2,269,000	-	116,000	2,153,000	248,000
General Obligation Bonds	1,696,000	2,985,000	439,500	4,241,500	449,000
General Obligation Notes	1,384,000	602,001	479,000	1,507,001	236,000
Governmental activities total	<u>\$ 5,349,000</u>	<u>3,587,001</u>	<u>1,034,500</u>	<u>7,901,501</u>	<u>933,000</u>
Business type activities:					
Water Revenue Notes	\$ 6,698,000	-	611,000	6,087,000	676,000
Sewer Revenues Notes	2,177,000	11,924,502	251,000	13,850,502	433,000
Business type activities total	<u>\$ 8,875,000</u>	<u>11,924,502</u>	<u>862,000</u>	<u>19,937,502</u>	<u>1,109,000</u>

General Obligation Debt

A summary of the City's June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	Corporate Purpose Note Issued July 7, 2007		Corporate Purpose Issued Dec 18, 2008		Refunding Bond Issued Dec 1, 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	50,000	3,218	19,000	3,410	100,000	2,300
2023	15,000	750	21,000	2,365	-	-
2024	-	-	22,000	1,210	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027-2031	-	-	-	-	-	-
2032-2036	-	-	-	-	-	-
2037-2039	-	-	-	-	-	-
Total	<u>\$ 65,000</u>	<u>3,968</u>	<u>62,000</u>	<u>6,985</u>	<u>100,000</u>	<u>2,300</u>

Year Ending June 30,	Corporate Purpose Note Issued Nov 9, 2012		Economic Dev. Note Issued Dec 23, 2014		Water Improvement Bond Issued Sept 3, 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	49,000	10,430	19,000	379	165,000	38,600
2023	50,000	9,573	-	-	165,000	33,650
2024	51,000	8,698	-	-	170,000	28,700
2025	52,000	7,805	-	-	180,000	23,600
2026	53,000	6,895	-	-	140,000	18,200
2027-2031	281,000	20,213	-	-	400,000	26,775

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2032-2036	60,000	1,050	-	-	-	-
2037-2039	-	-	-	-	-	-
Total	<u>\$ 596,000</u>	<u>64,663</u>	<u>19,000</u>	<u>379</u>	<u>1,220,000</u>	<u>169,525</u>

Year Ending	Fire Truck		Waste Water Project		Bridge Improvements		Total	
	Issued June 15, 2016		Issued May 1, 2020		Issued Jan 12, 2021			
	June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2022	87,000	12,630	134,000	57,130	62,000	5,860	685,000	133,957
2023	101,000	10,413	136,000	54,450	75,000	4,620	563,000	115,820
2024	104,000	7,926	140,000	51,730	77,000	3,120	564,000	101,383
2025	103,000	5,378	142,000	48,930	79,001	1,580	556,001	87,293
2026	142,000	2,609	145,000	46,090	-	-	480,000	73,794
2027-2031	-	-	767,000	185,910	-	-	1,448,000	232,898
2032-2036	-	-	845,000	106,050	-	-	905,000	107,100
2037-2039	-	-	547,500	22,050	-	-	547,500	22,050
Total	\$ 537,000	38,955	2,856,500	572,340	293,001	15,180	5,748,501	874,295

On July 11, 2007, the City issued \$585,000 of general obligation bonds with interest rates ranging from 4.3%-5.0%. The bonds were issued for various capital improvement projects. During the year ended June 30, 2021, the City paid \$50,000 of principal and \$5,675 of interest on the bonds.

On December 18, 2008, the City issued \$212,000 of general obligation notes with an interest rate of 5.5%. The bonds were issued for various capital improvement projects. During the year ended June 30, 2021, the City paid \$18,000 of principal and \$4,400 of interest on the bonds.

On December 1, 2011, the City issued \$1,360,000 of general obligation bonds with interest rates ranging from 2.0%-2.3%. The bonds were issued for improvements to the municipal waterworks system. During the year ended June 30, 2021, the City paid \$100,000 of principal and \$4,950 of interest on the bonds.

On November 9, 2012, the City issued \$1,400,000 of general obligation notes with an interest rate of 1.75%. The bonds were issued for various capital improvement projects. During the year ended June 30, 2021, the City paid \$48,000 of principal and \$12,880 of interest on the bonds.

On December 23, 2014, the City issued \$140,000 of general obligation notes with an interest rate of 2.0%. The bonds were issued for economic development purposes. During the year ended June 30, 2021, the City paid \$19,000 of principal and \$757 of interest on the bonds.

On September 3, 2015, the City issued \$2,125,000 of general obligation bonds with interest rates ranging from 2.0%-3.5%. The bonds were issued for improvements to the municipal waterworks system. During the year ended June 30, 2021, the City paid \$160,000 of principal and \$41,800 of interest on the bonds.

On June 15, 2016, the City issued \$792,000 of general obligation notes with interest rates ranging from 1.85-2.45%. The bonds were issued for the purchase of a new fire truck. During the year ended June 30, 2021, the City paid \$85,000 of principal and \$14,331 of interest on the bonds.

On May 1, 2020, the City issued \$3,000,000 of general obligation bonds with an interest rate of 2.0%. The bonds were issued for a waste water project. During the year ended June 30, 2021, the City paid \$129,500 of principal and \$27,019 of interest on the bonds.

On January 12, 2021, the City issued general obligation notes up to \$1,533,000 for a bridge improvement

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

project. During the year the City received \$293,001 of proceeds and they anticipate on receiving the remaining loan proceeds in the next fiscal year. Interest will be due semiannually at 2.0% and principal will be paid annually until 2031. The City did not pay any principal or interest on the notes during the year ended June 30, 2021.

Urban Renewal Tax Increment Financing Revenue Bonds

The City's June 30, 2021 urban renewal tax increment financing revenue bonds payable is as follows:

Year Ending June 30,	Tax Increment Fin.		Tax Increment Fin		Total	
	Issued Jan. 10, 2005		Issued June 24, 2016			
	Principal	Interest	Principal	Interest	Principal	Interest
2022	28,000	1,260	220,000	67,788	248,000	69,048
2023	-	-	227,000	60,770	227,000	60,770
2024	-	-	234,000	53,528	234,000	53,528
2025	-	-	242,000	46,064	242,000	46,064
2026	-	-	250,000	38,344	250,000	38,344
2027-2031	-	-	952,000	71,041	952,000	71,041
Total	\$ 28,000	1,260	2,125,000	337,535	2,153,000	338,795

The City has issued Urban Renewal tax increment financing revenue bonds in January 2005 and January 2020 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds and notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$2,491,794, payable through June, 2030. For the current year, principal and interest paid and total TIF receipts were \$215,686 and \$473,346, respectively.

Revenue Notes

Year Ending June 30,	Sewer Improvements		Sewer Disinfection		Sewer Improvements	
	Issued Jun 17, 2003		Issued Jun 24, 2016		Issued Sept 8, 2020	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	179,000	9,713	79,000	23,993	175,000	208,283
2023	185,000	6,580	81,000	22,610	370,000	288,001
2024	191,000	3,343	82,000	21,193	379,000	280,600
2025	-	-	84,000	19,758	386,000	273,020
2026	-	-	86,000	18,288	394,000	265,300
2027-2031	-	-	455,000	68,338	2,091,000	1,205,180
2032-2036	-	-	504,000	26,810	2,308,000	987,760
2037-2041	-	-	-	-	2,550,000	747,400
2042-2046	-	-	-	-	2,815,000	481,800
2047	-	-	-	-	456,502	20,830
Total	555,000	19,636	1,371,000	200,990	11,924,502	4,758,174

Year Ending June 30,	Water Plant Expan.		Water Meters		Total	
	Issued Feb 11, 2009		Issued Nov. 18, 2009			
	Principal	Interest	Principal	Interest	Principal	Interest

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2022	655,000	176,220	21,000	6,390	1,109,000	424,599
2023	676,000	156,570	21,000	5,760	1,333,000	479,521
2024	698,000	136,290	22,000	5,130	1,372,000	446,556
2025	721,000	115,350	23,000	4,470	1,214,000	412,598
2026	744,000	93,720	24,000	3,780	1,248,000	381,088
2027-2031	2,380,000	144,330	102,000	7,800	5,028,000	1,425,648
2032-2036	-	-	-	-	2,812,000	1,014,570
2037-2041	-	-	-	-	2,550,000	747,400
2042-2046	-	-	-	-	2,815,000	481,800
2047	-	-	-	-	456,502	20,830
Total	5,874,000	822,480	213,000	33,330	19,937,502	5,834,610

On June 17, 2003, the City issued \$3,000,000 of sewer revenue notes to provide for the construction and financing of sewer improvements. The notes bear interest at 1.75%, per annum, and are payable through 2024. During the year ended June 30, 2021, the City paid principal of \$173,000 and interest of \$14,560.

On June 24, 2016, the City issued \$1,745,000 of sewer revenue notes to provide for the construction and improvements to the sanitary sewer system. The notes bear interest at 2.00%, per annum, and are payable through 2036. During the year ended June 30, 2021, the City paid principal of \$78,000 and interest of \$28,980.

On September 8, 2020, the City issued \$14,575,000 of sewer revenue notes to provide for the construction and extension to the sanitary sewer system. The notes bear interest at 2.00%, per annum, and are payable through 2047. During the year ended June 30, 2021, the City paid no principal and interest of \$32,402.

The City has pledged future sewer customer receipts net of specific operating disbursements to repay \$3,000,000 of revenue bonds issued in June 2003, \$1,745,000 of revenue bonds issued in June 2016 and \$14,575,000 of revenue bonds issued in September 2020. The notes are payable solely from sewer customer net receipts and are payable through 2024, 2036 and 2047 on the 2003 series, the 2016 series and the 2020 series, respectively. The total principal and interest remaining to be paid on the notes is \$18,829,302. For the current year, principal and interest paid and total customer net receipts were \$326,942 and \$550,170, respectively.

On February 11, 2009, the City issued \$9,800,000 of water revenue notes to provide for the construction of the infrastructure of the water system for the purpose of providing safe drinking water. The notes bear interest at 3.25%, per annum, and are payable through 2029. During the year ended June 30, 2021, the City paid principal of \$591,000 and interest of \$129,300.

On November 18, 2009, the City issued \$404,000 of water revenue notes to provide for the construction of certain improvements to the water system. The notes bear interest at 3.25%, per annum, and are payable through 2030. During the year ended June 30, 2021, the City paid principal of \$20,000 and interest of \$4,660.

The City has pledged future water customer receipts net of specific operating disbursements to repay \$9,800,000 of revenue bonds issued in February 2009 and \$404,000 of revenue bonds issued in November 2009. The notes are payable solely from water customer net receipts and are payable through 2029 and 2030, respectively. The total principal and interest remaining to be paid on the notes is \$6,942,810. For the current year, principal and interest paid and total customer net receipts were \$744,960 and \$865,519, respectively.

The resolution providing for the issuance of the enterprise fund revenue bonds includes the following

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provisions:

- (a) The bond will only be redeemed from the future earnings of the enterprise activity, and the bond holders hold a lien on the future earnings of the funds.
- (b) The notes require the system generate net revenues sufficient to 110% of the current year principal and interest installment.
- (c) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

**(4) Lease-Purchase Agreement**

On December 5, 2006, the City entered into a lease purchase agreement with Valero Charles City, LLC (Valero) in the amount of \$1,335,250 at 5.7% interest. Valero built an ethanol plant outside of the City. Waterline extensions were necessary as a part of the construction. Therefore, the lease purchase agreement was made in order to transfer the ownership of these waterlines to the City and also to reimburse Valero for a portion of the construction costs. During the year ended June 30, 2021, the City paid principal and interest payments of \$115,750 and \$4,619, respectively. At June 30, 2021, the lease agreement was paid in full.

**(5) Pension Plans**

***Iowa Public Employees Retirement System (IPERS)***

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012. will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55, and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$236,670.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$2,193,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0312281%, which was a decrease of 0.000393% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$337,757, \$418,544 and \$232,270, respectively.

There were no non-employer contributing entities to IPERS.

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Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the

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discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 3,663,582	2,193,694	961,224

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

***Municipal Fire and Police Retirement System of Iowa (MFPRSI)***

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.



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Disability and Death Benefits – Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31% for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 totaled \$268,893.

If approved by the State Legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*.

There were no state appropriations to MFPRSI during the year ended June 30, 2021.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$2,062,457 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June

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30, 2020, the City's proportion was 0.314434%, which was a decrease of 0.001263% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled 441,184, \$413,805 and \$152,831, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00% per annum.
Rates of salary increase	3.75 to 15.11% average, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set forward zero years, females set forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large cap	7.5%
Small cap	8.1
International large cap	7.2
Emerging markets	7.9
Emerging markets debt	7.5
Private non-core real estate	11.5
Private equity	6.4
Core plus fixed income	10.8
Private core real estate	4.0
Tactical asset allocation	7.2

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 3,846,671	2,507,927	1,399,020

MFPRSI's Fiduciary Net Position – Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

**(6) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$974,755 and plan members eligible for benefits contributed \$242,783 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, there were 45 active and no retired members covered by the benefit terms.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. City employees can earn vacation at rates dependent on years of service. Vacation leave vests on the employee's anniversary date and must be used prior to the next anniversary date. Certain employees are allowed to accumulate vested compensatory time off (vacation) for overtime at one and one-half times the hours worked. Sick leave may also be accumulated, however, sick leave is forfeited if not used. These accumulations are not recognized as disbursements by the City until they are used or paid. The City's approximate liability for earned vacation time payable at June 30, 2021, primarily relating to the General Fund, was \$224,907.

This liability has been computed based on rates of pay in effect at July 1, 2021.

**(8) Interfund Transfers**

The detail of interfund transfers, for the year ended June 30, 2021 is as follows:

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Transfer to	Transfer from	Amount
	Special Revenue:	
	Riverside Tax Increment Financing	87,039
General	Southwest Bypass Tax Increment Financing	41,000
	Park Avenue Tax Incrementing Financing	10,700
	FGP Federal Administrative	3,000
	Public Housing	21,026
	Section 8 Vouchers	10,000
	Capital Projects:	
	Clark St Trail	3,898
	Enterprise:	
	Water	77,474
	Sewer	61,853
		<u>315,990</u>
	General	54
	Special Revenue:	
	Public Housing Security Deposits	1,989
	Rehab	9,191
Special Revenue:	Capital Projects	
Public Housing	2018 Capital Projects	10,000
		<u>21,234</u>
	Special Revenue:	
Debt Service	Local Option Sales Tax	217,180
	Park Avenue Tax Incrementing Financing	87,535
	Enterprise:	
	Water	104,950
	Sewer	202,135
		<u>611,800</u>
	General	111,091
Capital Projects:	Special Revenue:	
Street Improvements	Local Option Sales Tax	1,646,736
	Road Use Tax	294,855
		<u>2,052,682</u>
Special Revenue:	Special Revenue:	
CVTC Operations	Road Use Tax	27,997
Special Revenue:		
Rehab	General	4,000
Capital Projects:		
McQuillen Project	General	8,300
Capital Projects:		
CW Bridge/Road Project	General	10,000
Capital Projects:		
Fiber to Home	General	314,348
Enterprise:	General	119,540

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Fire Extinguisher		
	General	373
	Special Revenue:	
	Public Housing	20
Enterprise:	Enterprise:	
Fire Extinguisher	Sewer	24
		<hr/> 417
		<hr/> \$ 3,486,308

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$2,156 during the year ended June 30, 2021.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Deficit Balances**

The following funds had deficit balances at June 30, 2021: CW Bridge/Road Project (\$1,039,002), and Capital Projects: IPC / Sponsored (\$44,467).

The City is aware of the deficits and is actively working to eliminate them.

**(12) Development Agreement**

The City has entered into the following development agreements:

Farmer's Feed and Grain – The City agreed to pay an amount not to exceed \$68,591 over a 10-year period starting in December 2013. During the year ended June 30, 2021, the City rebated \$0 of incremental property tax. At June 30, 2021, the remaining balance was \$35,786.

MITAS Tires – The City agreed to pay an amount not to exceed \$2,700,000 over a 10-year period starting in December 2013. During the year ended June 30, 2021, the City rebated \$168,029 of incremental property tax. At June 30, 2021, the remaining balance was \$1,507,865.

Walderbach Properties – The City agreed to pay an amount not to exceed \$42,285 over a 10-year period starting in December 2013. During the year ended June 30, 2021, the City rebated \$5,843 of incremental property tax. At June 30, 2021, the remaining balance was \$10,033.

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Mike Molstead Motors – The City agreed to pay an amount not to exceed \$100,000 over a 5-year period starting in December 2019. During the year ended June 30, 2021, the City rebated \$28,244 of incremental property tax. At June 30, 2021, the remaining balance was \$65,394.

Cambrex – The City agreed to pay an amount not to exceed \$170,000 over a 9-year period starting in October 2020. During the year ended June 30, 2021, the City rebated \$0 of incremental property tax. At June 30, 2021, the remaining balance was \$170,000.

Zoetis – The City agreed to pay an amount not to exceed \$1,850,000 over an 8-year period starting in March 2018. During the year ended June 30, 2021, the City rebated \$0 of incremental property tax. At June 30, 2021, the remaining balance was \$1,850,000.

Croell – The City agreed to pay an amount not to exceed \$225,000 over a 9-year period starting in January 2020. During the year ended June 30, 2021, the City rebated \$0 of incremental property tax. At June 30, 2021, the remaining balance was \$225,000.

**(13) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, the City abated \$621,246 of property tax under the urban renewal and economic development agreements.

**(14) Employee Health Insurance Plan**

The Internal Service, Employee Health Fund was established to account for the self-funding of the City's health insurance benefit plan. The plan is funded by employees, COBRA participants and retirees, and City contributions and is administered through a service agreement with Auxiant. The City assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Health Fund. The City's

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contribution for the year ended June 30, 2021 was \$974,755. Settlements have not exceeded the stop-loss coverage in any of the past three years. The City has estimated unpaid claims for the current year as follows:

Unpaid claims, beginning of year	\$ 62,325
Incurred claims (including claims incurred but not reported at June 30, 2021)	949,591
Payments on claims during the year	<u>(979,786)</u>
Unpaid claims, end of year	<u>\$ 32,130</u>

**(15) Landfill Agreement**

The City participates in an agreement with the Floyd-Mitchell-Chickasaw Solid Waste Management Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing for the collection and disposal of solid waste produced or generated by the participants. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities.

The Agency is governed by a board composed of an elected representative of the governing body for each participating governmental jurisdiction.

The City is obligated to remit a share of the operating and administrative costs. During the year ended June 30, 2021, the City paid Jendro Sanitation \$639,536. The sanitation company is then responsible for paying all landfill fees for the City's share of the costs. Completed financial statements of the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

**(16) Litigation**

The City is subject to pending litigation where the estimate of damages and probability of loss, if any, is undeterminable as of June 30, 2021.

**(17) Commitments and Contingencies**

The City was notified by the United States Environmental Protection Agency (EPA) in 1989 that the area known as the Shaw Avenue Dump had been determined to contain hazardous waste that has resulted in or could result in an "imminent and substantial endangerment to the public health or welfare or the environment".

Subsequently, a consent order was entered into with the EPA. The City and the Solvay Animal Health have entered into a cost-sharing agreement whereby each pays 50% of the costs associated with complying with the consent order. The purpose of the order was to determine the nature and extent of any releases or threatened releases of pollutants or contaminants; to assess the threat, if any, to the public health and welfare; and to identify and evaluate remedial alternatives to prevent or mitigate such releases.

In 1991, the EPA issued a decision on their investigation into the contaminated area. Due to their decision, the City was required to perform a stabilization process in order to secure the contaminants. This process became the Shaw Avenue Dump Project.

The project has now been complete for several years and the EPA has approved the remedial plan. However, the City estimates it will pay annual maintenance and testing fees until the final project is

CITY OF CHARLES CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

approved. During the year ended June 30, 2021, the City paid \$9,755 for maintenance, testing, and other professional services related to the project. A date on which the final project will be completed has not been determined.

In fiscal year 2019, the City committed to provide funding of \$42,000 to Charles City Area Development Corporation for a period of three years.

**(18) Restricted, Committed, and Assigned Fund Balances**

The general fund included restricted funds of \$177,538, committed funds of \$80,593 and assigned funds of \$144,001 at June 30, 2021. The detail of these amounts is as follows:

Restricted	Amount
Fire purchase reserve	\$ 70,000
Park & recreation purchase reserve	40,000
Police purchase reserve	40,000
Park & recreation hotel/motel	23,030
Hotel/motel tax	4,508
Balance at June 30, 2021	<u>\$ 177,538</u>
Committed	Amount
Communication equipment fund	\$ 80,593
Balance at June 30, 2021	<u>\$ 80,593</u>
Assigned	Amount
K-9 unit	\$ 15,394
Police safety education	7,211
Nuisance abatement reserve	115,064
Ragbrai	6,332
Balance at June 30, 2021	<u>\$ 144,001</u>



## **Other Information**

City of Charles City, Iowa  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 4,340,605	-	4,340,605
Tax increment financing	473,346	-	473,346
Other city tax	1,208,175	-	1,208,175
Licenses and permits	113,664	-	113,664
Use of money and property	69,891	18,941	88,832
Intergovernmental	3,388,034	-	3,388,034
Charges for service	2,167,782	5,106,995	7,274,777
Miscellaneous	359,377	38,277	397,654
Total receipts	12,120,874	5,164,213	17,285,087
Disbursements:			
Public safety	2,799,845	-	2,799,845
Public works	1,498,296	-	1,498,296
Health and social services	264,885	-	264,885
Culture and recreation	1,108,538	-	1,108,538
Community and economic development	2,540,977	-	2,540,977
General government	558,933	-	558,933
Debt service	1,054,950	-	1,054,950
Capital projects	4,129,691	-	4,129,691
Business-type activities	-	16,039,849	16,039,849
Total disbursements	13,956,115	16,039,849	29,995,964
Excess (deficiency) of receipts over (under) disbursements	(1,835,241)	(10,875,636)	(12,710,877)
Other financing sources (uses), net	928,481	14,843,345	15,771,826
Excess of receipts and other financing sources over disbursements and other financing sources	(906,760)	3,967,709	3,060,949
Balances, beginning of year	8,371,316	1,425,718	9,797,034
Balances, end of year	\$ 7,464,556	5,393,427	12,857,983

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
4,100,223	4,123,314	217,291
473,339	473,339	7
1,133,754	1,156,201	51,974
71,250	72,700	40,964
368,629	246,987	(158,155)
3,023,862	3,894,370	(506,336)
7,275,119	6,967,886	306,891
882,727	1,300,926	(903,272)
17,328,903	18,235,723	(950,636)
3,162,369	3,249,621	449,776
1,477,370	1,569,887	71,591
393,606	301,272	36,387
1,411,572	1,421,437	312,899
2,681,896	2,994,595	453,618
611,962	607,261	48,328
971,739	1,089,536	34,586
3,808,464	5,761,278	1,631,587
12,400,183	17,247,645	1,207,796
26,919,161	34,242,532	4,246,568
(9,590,258)	(16,006,809)	3,295,932
8,259,863	14,326,654	1,445,172
(1,330,395)	(1,680,155)	4,741,104
16,227,964	16,227,964	(6,430,930)
14,897,569	14,547,809	(1,689,826)

City of Charles City, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$8,775,886, and increased budgeted disbursements by \$9,125,646. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

City of Charles City  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Seven Years\*  
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.03123%	0.03162%	0.03064%	0.02950%	0.03067%	0.02876%	0.02918%
City's proportionate share of the net pension liability	\$ 2,194	1,831	1,939	1,965	1,912	1,421	1,181
City's covered-employee payroll	\$ 2,489	2,413	2,312	2,203	2,181	1,961	1,889
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.15%	75.88%	83.87%	89.20%	87.67%	72.46%	62.52%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Charles City, Iowa  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)  
Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 237	235	228	206
Contribution in relation to the statutorily required contribution	(237)	(235)	(228)	(206)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 2,507	2,489	2,413	2,312
Contribution as a percentage of covered payroll	9.45%	9.44%	9.45%	8.91%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
197	195	175	169	150	145
(197)	(195)	(175)	(169)	(150)	(145)
-	-	-	-	-	-
2,203	2,181	1,961	1,889	1,728	1,795
8.94%	8.94%	8.92%	8.95%	8.68%	8.08%

City of Charles City  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Municipal Fire and Police Retirement System of Iowa  
For the Last Six Years\*  
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.31443%	0.31570%	0.32486%	0.32138%	0.33499%	0.32524%	0.29420%
City's proportionate share of the net pension liability	2,062	2,071	1,934	1,884	2,095	1,528	1,066
City's covered-employee payroll	999	957	944	910	908	852	854
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.41%	216.41%	204.87%	207.03%	230.73%	179.34%	124.82%
IPERS' net position as a percentage of the total pension liability	76.47%	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.



City of Charles, Iowa  
Schedule of the City Contributions  
Municipal Fire and Police Retirement System of Iowa  
For the Last Ten Years  
(In Thousands)  
Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 269	244	249	242
Contribution in relation to the statutorily required contribution	(269)	(244)	(249)	(242)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 1,062	999	957	944
Contribution as a percentage of covered payroll	25.32%	24.41%	26.02%	25.64%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
236	252	259	257	239	222
(236)	(252)	(259)	(257)	(239)	(222)
-	-	-	-	-	-
910	908	852	854	915	896
25.93%	27.75%	30.40%	30.09%	26.12%	24.78%

City of Charles City, Iowa  
Notes to Other Information – Pension Liability  
Year Ended June 30, 2021

**IPERS**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**MFPSI**

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Health Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

City of Charles City, Iowa

Notes to Other Information – Pension Liability

Year Ended June 30, 2021

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

## **Supplementary Information**

City of Charles City, Iowa  
Schedule of Cash Receipts, Disbursements,  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2021

	Special Revenue	Capital Projects	Total
Receipts:			
Tax increment financing	\$ 473,346	-	473,346
Use of money and property	10,992	-	10,992
Intergovernmental	1,553,372	503,215	2,056,587
Charges for services	1,072,695	-	1,072,695
Miscellaneous	52,627	6,760	59,387
Total receipts	<u>3,163,032</u>	<u>509,975</u>	<u>3,673,007</u>
Disbursements:			
Public safety	173	-	173
Public works	957,536	-	957,536
Health and social services	263,385	-	263,385
Culture and recreation	67,085	-	67,085
Community and economic development	1,423,516	-	1,423,516
Capital projects	-	2,110,641	2,110,641
Total disbursements	<u>2,711,695</u>	<u>2,110,641</u>	<u>4,822,336</u>
Excess of receipts over disbursements	<u>451,337</u>	<u>(1,600,666)</u>	<u>(1,149,329)</u>
Other financing sources (uses):			
Bond proceeds	-	293,001	293,001
Transfers in	39,997	332,648	372,645
Transfers out	(581,306)	(13,898)	(595,204)
Net other financing sources (uses)	<u>(541,309)</u>	<u>611,751</u>	<u>70,442</u>
Change in cash balance	(89,972)	(988,915)	(1,078,887)
Cash balances, beginning of year	<u>1,441,358</u>	<u>(38,912)</u>	<u>1,402,446</u>
Cash balances, end of year	<u><u>\$ 1,351,386</u></u>	<u><u>(1,027,827)</u></u>	<u><u>323,559</u></u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Library Trust	\$ 91,900	-	91,900
Restricted for other purposes	1,259,486	55,642	1,315,128
Unrestricted	-	(1,083,469)	(1,083,469)
Total cash basis fund balances	<u><u>\$ 1,351,386</u></u>	<u><u>(1,027,827)</u></u>	<u><u>323,559</u></u>

See accompanying independent auditor's report.

City of Charles City, Iowa  
Schedule of Cash Receipts, Disbursements,  
and Changes in Cash Balances  
Nonmajor Governmental Special Revenue Funds  
As of and for the year ended June 30, 2021

	Special Revenue					
	Road Use Tax	CVTC Operations	Riverside Tax Increment Financing	Southwest Bypass Tax Increment Financing	South Grand Tax Increment Financing	East Park Tax Increment Financing
Receipts:						
Tax increment financing	\$ -	-	83,080	172,966	202,300	-
Use of money and property	-	132	486	559	248	17
Intergovernmental	1,145,216	71,370	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous	598	1,304	-	-	-	-
Total receipts	1,145,814	72,806	83,566	173,525	202,548	17
Disbursements:						
Public safety	-	-	-	-	-	-
Public works	857,501	100,035	-	-	-	-
Health and social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	-	-	5,844	192,423	215,792	-
Total disbursements	857,501	100,035	5,844	192,423	215,792	-
Excess (deficiency) of receipts over (under) disbursements	288,313	(27,229)	77,722	(18,898)	(13,244)	17
Other financing sources (uses):						
Transfers in	-	27,997	-	-	-	-
Transfers out	(322,852)	-	(87,039)	(41,000)	-	-
Net other financing sources (uses)	(322,852)	27,997	(87,039)	(41,000)	-	-
Change in cash balance	(34,539)	768	(9,317)	(59,898)	(13,244)	17
Cash balances, beginning of year	481,043	575	51,176	71,847	27,861	3,688
Cash balances, end of year	\$ 446,504	1,343	41,859	11,949	14,617	3,705
<b>Cash Basis Fund Balances</b>						
Nonspendable - Library Trust	\$ -	-	-	-	-	-
Restricted for other purposes	446,504	1,343	41,859	11,949	14,617	3,705
Total cash basis fund balances	\$ 446,504	1,343	41,859	11,949	14,617	3,705

See accompanying independent auditor's report.

Special Revenue								
Park Avenue Tax Increment Financing	Library	Foster Grandparent Advisory & Operating	Public Housing Security Deposits	Section 8 Vouchers	Police Asset Forfeiture	Rehab	Cablevision	Total
15,000	-	-	-	-	-	-	-	473,346
1,485	6,551	-	246	1,268	-	-	-	10,992
-	-	249,137	-	-	-	87,649	-	1,553,372
-	-	-	7,342	1,006,324	-	-	59,029	1,072,695
-	20,000	28,412	-	2,313	-	-	-	52,627
16,485	26,551	277,549	7,588	1,009,905	-	87,649	59,029	3,163,032
-	-	-	-	-	173	-	-	173
-	-	-	-	-	-	-	-	957,536
-	-	263,385	-	-	-	-	-	263,385
-	16,742	-	-	-	-	-	50,343	67,085
29,614	-	-	4,136	932,439	-	43,268	-	1,423,516
29,614	16,742	263,385	4,136	932,439	173	43,268	50,343	2,711,695
(13,129)	9,809	14,164	3,452	77,466	(173)	44,381	8,686	451,337
-	-	8,000	-	-	-	4,000	-	39,997
(98,235)	-	(11,000)	(1,989)	(10,000)	-	(9,191)	-	(581,306)
(98,235)	-	(3,000)	(1,989)	(10,000)	-	(5,191)	-	(541,309)
(111,364)	9,809	11,164	1,463	67,466	(173)	39,190	8,686	(89,972)
315,723	229,359	14,800	45,035	163,987	7,453	(38,153)	66,964	1,441,358
204,359	239,168	25,964	46,498	231,453	7,280	1,037	75,650	1,351,386
-	91,900	-	-	-	-	-	-	91,900
204,359	147,268	25,964	46,498	231,453	7,280	1,037	75,650	1,259,486
204,359	239,168	25,964	46,498	231,453	7,280	1,037	75,650	1,351,386



City of Charles City, Iowa  
Schedule of Cash Receipts, Disbursements,  
and Changes in Cash Balances  
Nonmajor Governmental Capital Projects Funds

As of and for the year ended June 30, 2021

	Capital Projects			
	Clark St Trail	2018 Capital Project	2019 Capital Project	2020 Capital Project
Receipts:				
Intergovernmental	\$ 7,463	109,638	210,000	107,550
Miscellaneous	-	-		
Total receipts	7,463	109,638	210,000	107,550
Disbursements:				
Capital projects	-	99,638	210,000	102,243
Total disbursements	-	99,638	210,000	102,243
Excess (deficiency) of receipts over (under) disbursements	7,463	10,000	-	5,307
Other financing sources:				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(3,898)	(10,000)	-	-
Total other financing sources	(3,898)	(10,000)	-	-
Change in cash balance	3,565	-	-	5,307
Cash balances, beginning of year	(3,565)	-	-	-
Cash balances, end of year	\$ -	-	-	5,307
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ -	-	-	5,307
Unrestricted	-	-	-	-
Total cash basis fund balances	\$ -	-	-	5,307

See accompanying independent auditor's report.

Capital Projects						
McQuillen Project	RCPP Project	CW Bridge	Fiber to Home	SW Ind Storm Water	IPC / Sponsored	Total
-	-	14,744	-	-	53,820	503,215
-	-	-	-	-	6,760	6,760
-	-	14,744	-	-	60,580	509,975
8,300	-	1,277,198	314,348	20,072	78,842	2,110,641
8,300	-	1,277,198	314,348	20,072	78,842	2,110,641
(8,300)	-	(1,262,454)	(314,348)	(20,072)	(18,262)	(1,600,666)
-	-	293,001	-	-	-	293,001
8,300	-	10,000	314,348	-	-	332,648
-	-	-	-	-	-	(13,898)
8,300	-	303,001	314,348	-	-	611,751
-	-	(959,453)	-	(20,072)	(18,262)	(988,915)
-	500	(79,549)	-	69,907	(26,205)	(38,912)
-	500	(1,039,002)	-	49,835	(44,467)	(1,027,827)
-	500	-	-	49,835	-	55,642
-	-	(1,039,002)	-	-	(44,467)	(1,083,469)
-	500	(1,039,002)	-	49,835	(44,467)	(1,027,827)

## City of Charles City, Iowa

Schedule of Cash Receipts, Disbursements,  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2021

	Waste Collection	Transit Service	Storm Water	Fire Extinguisher	Total
Operating receipts:					
Charges for service	\$ 693,422	26,055	200,245	6,249	925,971
Miscellaneous	-	5,278	-	-	5,278
Total operating receipts	693,422	31,333	200,245	6,249	931,249
Operating disbursements:					
Business-type activities	694,848	43,482	132,101	5,823	876,254
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,426)	(12,149)	68,144	426	54,995
Non-operating receipts:					
Interest on investments	-	-	1,883	-	1,883
Net non-operating receipts	-	-	1,883	-	1,883
Excess (deficiency) of receipts over (under) disbursements	(1,426)	(12,149)	70,027	426	56,878
Other financing sources (uses):					
Transfers in	-	119,540	-	417	119,957
Net other financing sources (uses)	-	119,540	-	417	119,957
Change in cash balance	(1,426)	107,391	70,027	843	176,835
Cash balances, beginning of year	140,623	95,234	337,747	11,846	585,450
Cash balances, end of year	139,197	202,625	407,774	12,689	762,285
<b>Cash Basis Fund Balances</b>					
Unrestricted	\$ 139,197	\$ 202,625	\$ 407,774	\$ 12,689	762,285
Total cash basis fund balances	\$ 139,197	202,625	407,774	12,689	762,285

See accompanying independent auditor's report.

City of Charles City, Iowa

Schedule of Receipts by Source and Disbursements by Function

Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018
Receipts				
Property tax	\$ 4,340,605	3,825,520	3,708,535	3,562,048
Tax increment financing	473,346	224,672	361,255	285,203
Other city tax	1,208,175	1,322,627	1,332,681	1,170,807
Licenses and permits	113,664	117,040	81,558	130,526
Use of money and property	69,891	227,359	355,560	288,533
Intergovernmental	3,388,034	2,145,385	2,074,227	1,980,916
Charges for service	2,167,782	1,866,874	1,818,134	1,922,722
Special assessments	-	-	-	-
Miscellaneous	359,377	339,753	389,771	475,203
	<u>\$ 12,120,874</u>	<u>10,069,230</u>	<u>10,121,721</u>	<u>9,815,958</u>
Disbursements				
Public safety	\$ 2,799,845	2,787,088	2,779,016	2,674,376
Public works	1,498,296	1,741,461	1,536,742	1,574,581
Health and social services	264,885	342,805	380,282	393,120
Culture and recreation	1,108,538	1,218,440	1,174,327	1,277,163
Community and economic development	2,540,977	4,560,778	2,129,749	2,405,909
General government	558,933	558,329	569,843	524,278
Debt service	1,054,950	815,067	825,842	849,073
Capital projects	4,129,691	2,795,241	2,682,217	218,249
	<u>\$ 13,956,115</u>	<u>14,819,209</u>	<u>12,078,018</u>	<u>9,916,749</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
3,657,724	3,634,037	3,380,386	3,233,082	3,182,601	3,121,918
324,063	430,999	1,138,471	1,251,702	1,193,836	1,250,374
1,237,094	1,194,161	996,646	939,428	1,142,593	929,029
106,965	128,972	128,116	79,363	75,440	70,122
228,411	171,658	143,617	125,204	118,067	113,291
2,171,051	2,152,616	2,018,628	3,278,702	2,355,438	2,970,033
1,736,543	1,714,180	1,673,337	1,581,930	1,492,628	1,606,367
-	-	-	-	-	3,933
404,874	433,596	417,850	446,046	413,768	840,716
9,866,725	9,860,219	9,897,051	10,935,457	9,974,371	10,905,783
2,684,337	3,336,764	2,446,690	2,435,986	2,395,665	2,269,256
1,401,644	1,396,075	1,163,867	1,343,287	1,103,659	1,294,830
368,791	405,087	426,137	436,494	436,692	461,518
1,206,369	1,101,707	1,209,695	927,538	942,712	978,042
2,117,461	2,028,701	2,276,298	2,073,743	2,039,335	2,210,621
500,034	525,663	483,574	442,997	565,383	563,747
845,406	2,872,591	1,026,582	1,218,680	1,953,991	1,488,582
265,716	1,166,172	1,429,378	1,768,973	2,699,201	1,162,098
9,389,758	12,832,760	10,462,221	10,647,698	12,136,638	10,428,694

City of Charles City, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2021

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Housing and Urban Development:			
Public and Indian Housing	14.850		\$ 254,528
Section 8 Housing Choice Vouchers	14.871		969,590
Section 8 Housing Choice Vouchers COVID-19	14.871		53,582
Public Housing Capital Fund:			
Fiscal Year 2020	14.872		427,188
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		1,463
Corporation for National and Community Service:			
Foster Grandparent Program	94.011		244,587
			<u>\$ 1,950,938</u>
Indirect:			
US Department of Agriculture			
Natural Resources Conservation Service	10.902	NR196114xxxxC009	\$ 53,820
U.S. Dept of Housing & Urban Development			
Iowa Economic Development Authority	14.228	18-HSG-003	85,049
U.S. Department of Treasury:			
Iowa Department of Administrative Services - COVID-19 - Coronavirus Relief Fund	21.019	00179	173,662
U.S. Dept of Transportation			
Iowa Department of Transportation	20.205	TAP-U-1242(617)--81-34	7,463
Iowa Department of Transportation	20.205	TAP-U-1242(619)--81-34	14,744
Governor's Traffic Safety Bureau	20.600	19-402-MOOP Task 22-70-00	8,110
			<u>\$ 342,848</u>
Total Expenditures			<u><u>\$ 2,293,786</u></u>

See accompanying independent auditor's report.

## City of Charles City, Iowa

## Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Charles City under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City.

**(2) Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Indirect Cost Rate**

The City has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**(4) Sub-recipients**

The City of Charles City did not pass through any federal funds to sub-recipients for the year ended June 30, 2021.

See Accompanying Independent Auditor's Report.

## City of Charles City, Iowa

## Summary Schedule of Prior Audit Findings

Year ended June 30, 2021

Comment Reference	Comment Title	Status	If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation
II-A-20	Segregation of Duties	Not corrected.	The City continually weighs the costs and benefits of additional staff to address this issue.





**T.P. ANDERSON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Charles City, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Charles internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Questioned Costs as items II-A-21 and II-B-21 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Charles City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However,

we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Management's Responses to the Findings**

The City of Charles City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Charles City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*T.P. Anderson & Company, P.C.*

December 16, 2021  
Humboldt, Iowa



**T.P. ANDERSON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
over Compliance Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

**Report on Compliance for Each Major Federal Program**

We have audited the City of Charles City, Iowa's compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Charles City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion**

In our opinion, the City of Charles City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

Management of the City of Charles City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but

not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*T.P. Anderson & Company, P.C.*

December 16, 2021  
Humboldt, Iowa

City of Charles City, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses were reported for the City's major federal program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were reported.
- (g) The major program identified for the year was CFDA Number 14.871 – Section 8 Housing Choice Vouchers.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City did not qualify as a low-risk auditee.

City of Charles City, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**Part II: Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-21      Segregation of Duties – Generally, we noted that from time to time one individual may possess control over each of the following areas:

- 1) Payroll – entering rates and hours into the system, recordkeeping, preparing, signing and distributing.
- 2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 3) Financial Reporting and Budgeting – preparing and reconciling.
- 4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – One individual has control over various functions of the City.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. We recommend that the City implement a policy that requires dual signatures on all checks being issued.

Response – We have reviewed procedures and plan to make improvements to internal control.

Conclusion – Response accepted.

II-B-21      Utility Rates – The utility rates entered into the system are not reviewed and approved to ensure proper utility calculations and billing.

City of Charles City, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

Criteria – During the audit, we noted that commercial sewer rates were not updated on July 1<sup>st</sup> in accordance with the approved ordinance.

Condition – A properly designed system of internal control provides for the prevention or the detection and correction of material misstatements in a timely manner.

Cause – The City does not have adequate controls in place to ensure rate changes are being done completely and accurately.

Effect – The City bill commercial customers less than what was approved in the ordinance, causing the City to forgo approximately 3.5% of commercial sewer revenues, or \$20,000.

Recommendation – An independent individual should review and approve the utility rates periodically and when rate changes occur to ensure proper utility billings.

Response – We have reviewed procedures and plan to make improvements to internal control.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Charles City, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

**Section 8 Housing Choice Vouchers CFDA# 14.871**

None were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**Section 8 Housing Choice Vouchers CFDA# 14.871**

None were noted.



City of Charles City, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

**Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.
- IV-B-21 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-21 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Virginia Titus, Deputy Clerk, Wife of Owner of Titus Lock Services	Lock maintenance	\$ 1,709
Curt Teeter, Firefighter, Father owns Teeter Specialty Co.	Office supplies	447

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions listed above do not appear to represent conflicts of interest since the total transactions did not exceed \$6,000 during the year.

Recommendation – The City should be aware of the potential for a conflict of interest when dealing with members of the City Council, its employees, and relatives of council and employees.

Response – We understand the compliance requirements for related parties and will keep this in mind when future possible conflicts of interest arise.

Conclusion – Response accepted.

- IV-E-21 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-21 City Council Minutes – No transactions were found that we believe should have been approved in the City Council meeting minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

City of Charles City, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2021

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within 15 days of the meeting.

Response – We will try to meet the publication requirements in the future.

Conclusion – Response accepted.

IV-G-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-21 Revenue Bonds – No instances of non-compliance with revenue bond resolutions were noted.

IV-I-21 Excess Fund Balance – Fund balances of the City's Special Revenue Funds are in excess of disbursements for fiscal year 2021 as follows: Local Option Sales Tax, Public Housing, Riverside Tax Increment Financing, East Park Tax Increment Financing, Park Avenue Tax Increment Financing, Library, Section 8 Vouchers and Public Housing Security Deposits.

Recommendation – The City should investigate alternatives to eliminate the excesses. Levies and charges should be reduced, if needed, to reduce the fund balances to reasonable amounts.

Response – We will evaluate the causes of the excess fund balances and will budget accordingly in upcoming years to reduce them.

Conclusion – Response accepted.

IV-J-21 Financial Condition – The following funds had deficit balances at June 30, 2021:

<u>Fund Description</u>	<u>Balance</u>
Capital Projects, CW Bridge/Road Project	(1,039,002)
Capital Projects, IPC/Sponsored	(44,467)

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to sound financial positions.

Response – The City expects future receipts into these funds will eliminate the deficit balances. These deficits are due to costs being incurred prior to the receipt of grant funds and assessments.

Conclusion – Response accepted.